



Private & Confidential

20 August 2018

The Secretary
Australian Securities and Investments Commission
PO Box 4000
GIPPSLAND MAIL CENTRE VIC 3841

Dear Sir/Madam

Linc Energy Limited
(In Liquidation) (the Company)
ACN 076 157 045

Our report detailing our actions and dealings during the last 12 months of the liquidation is set out below in accordance with the transitional provisions of Section 1603 (noting Section 508 has been repealed) of the *Corporations Act 2001 (the Act)*.

1. The Liquidators' acts and dealings and conduct of the winding up

1.1 Realisation of assets

Chinchilla Properties

The three remaining properties owned by the Company, being Strathmerton Two, Rollo Park and Bull Oak settled on 9 November 2017 and net settlement proceeds totalling \$339,000 were received.

Loan owed by United Queensland Resources Limited (UQR)

On 5 May 2017 we entered into an agreement for the assignment of the debt owed by UQR to the Company (**Original Agreement**). The transaction failed to complete at 19 June 2017, being the completion date stipulated in the Original Agreement.

While we reserved our rights in respect of the ongoing breach, we continued to liaise with the purchaser regarding completion of the sale. Several extensions to the completion date were provided, with non-refundable extension fees totalling \$150,000 paid by the purchaser, indicating their continued commitment to the transaction.

On 7 December 2017, the purchaser again failed to complete the transaction and we issued a Notice of Termination on 13 December 2017.

On 21 December 2017, we executed a revised agreement for the assignment of the debt owed by UQR to the Company, on substantially the same terms as the Original Agreement with a completion date of 7 March 2018 and non-refundable deposit of \$50,000. However, the purchaser failed to complete the transaction again.

On 20 March 2018, the Liquidators terminated the agreement dated 14 December 2017 and entered

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into a further agreement (**Current Agreement**) substantially on the same terms as the Original Agreement. We received a non-refundable payment of \$1m from the assignee on 20 March 2018. Completion of the Current Agreement occurred on 29 June 2018, upon receipt of the balance of sale proceeds totalling \$2,800,000.

Shares in PowerHouse Energy Group PLC

The Company holds 28,350,000 shares in PowerHouse Energy Group PLC (**PowerHouse**). PowerHouse shares are listed on the London Stock Exchange. We continue to liaise with various stockbrokers and preferred bidders to explore all options to maximise value for the Company's shareholding in PowerHouse.

Shares in Yerostigaz Inc. (Yerostigaz)

We have completed the sale of 620,180 shares in Yerostigaz Inc., a UCG facility in Uzbekistan for total gross proceeds of approximately US \$0.1m. We are liaising with the Company's broker regarding the transfer of funds from the sale.

Loans to the Company's US Subsidiaries (currently subject to Chapter 11 process)

In January 2017, an objection was lodged against the Company's claims in the Chapter 11 proceedings. That objection was made by the Trustee of the Linc Chapter 11 Creditor Trust (**Trustee**) on the basis that the claims were not adequately supported, and that the claims should be re-characterised as equity interests. This decision was refuted by our appointed US attorneys. The Trustee filed a motion to further extend the deadline to investigate and/or object to other claims to 30 September 2018. The Company's claims remain stayed until those investigations are concluded.

Firestone Energy Ltd shareholding

On 9 October 2017, Voluntary Administrators were appointed to Firestone Energy Ltd (**Firestone**). On 6 December 2017, Liquidators were appointed to Firestone pursuant to an Order of the Federal Court of Australia. The Company holds 283,336,423 ordinary shares in Firestone.

We consider it highly unlikely that any value will be realised for the Company's shareholding in Firestone as stated in the report received from the Liquidators of Firestone dated 2 March 2018.

1.2 Distribution to creditors

We are unable to determine whether a dividend will be paid to any class of creditor as it is subject to the outcome of ongoing legal proceedings which are detailed below.

1.3 Legal proceedings

Department of Environment and Science (DES) (formerly Department of Environment and Heritage Protection) Litigation

The Supreme Court of Queensland made orders on 13 April 2017 that the Liquidators are not justified in causing the Company to not comply with the Environmental Protection Order (EPO) issued by the Queensland Department of Environment and Heritage Protection (**DEHP**) dated 13 May 2016. On 10 May 2017, we filed an Appeal with the Court of Appeal in Queensland (**the Appeal**).

The Appeal was heard on 20 September 2017, and the decision was handed down on 9 March 2018 which found in favour of the Liquidators, and is summarised as follows:

- The order made on 13 April 2017 be set aside
- The Liquidators are justified in not causing the Company to comply with the EPO, insofar as that order required anything to be done or not done after 30 June 2016
- Written submissions as to costs of the appeal are to be made within 10 days of the date of the judgement
- The DEHP is to bear its own costs of the original proceedings.

The key outcome of this successful appeal is that the Liquidators are not required to bear the costs of the remediation of the Chinchilla site.

Following the Court of Appeal decision delivered on 9 March 2018, both the Department of Environment and Science (**DES**) and the Queensland Attorney-General (**QLD A-G**) filed applications seeking special leave to appeal the Court of Appeal decision in the High Court of Australia. The applications for special leave are listed to be heard on 14 September 2018. In the event that special leave is granted, we expect that the DES and QLD A-G will then proceed to file substantive appeal proceedings in the High Court.

Criminal proceedings against the Company

On 9 April 2018, the Brisbane District Court found that the Company was guilty in respect of five charges of wilfully and unlawfully causing serious environmental harm, in contravention of subsection 437(1) of the Environmental Protection Act 1994 (Qld). The conviction follows a trial that commenced against the Company on 29 January 2018, relating to the operations at the Company's underground coal gasification facility at Chinchilla, Queensland, over the period 2007 to 2013.

On 11 May 2018, the Court sentenced the Company to a penalty of \$4.5 million for the offences. We note that the penalty ordered by the Court is not provable as a debt in the liquidation of the Company pursuant to section 553B of the *Corporations Act 2001*. Further, this was the principal basis for the Liquidators obtaining directions from the Supreme Court of Queensland to the effect that they were justified in not causing the Company to defend the criminal proceedings.

1.4 Application to the Singapore Stock Exchange for Resumption Proposal and Reporting Waivers

Trading of the Company's shares on the Singapore Stock Exchange (**SGX-ST**) was suspended on 30 March 2016. Pursuant to Rule 1304(1) of the Listing Manual, the Company is required to submit a proposal with a view to resume trading of the Company's shares within 12 months of the date of suspension.

On 28 March 2018, we filed an application to the SGX-St to replace the original extension applications dated 2 November 2016 and 17 March 2017 to seek an extension from the SGX-ST to submit the Resumption Proposal to 29 March 2019 (**Resumption Proposal Extension**).

In addition, pursuant to Rule 107 of the Listing Manual, we also filed an application to seek a waiver from compliance with the following requirements under the Listing Manual of the SGX-ST:

- a) **Rules 705(1) and (2):** an extension of time up to 29 March 2019 to announce the following:
- (i) in respect of Rule 705(1): the financial results of the Group for the financial years ended 30 June 2016, 2017 and 2018; and
 - (ii) In respect of Rule 705(2), in line with the extension mentioned in sub-paragraph (a) above: the financial results of the Group for the third quarter ended 31 March 2016, first quarter ended 30 September 2016, half year ended 31 December 2016, third quarter ended 31 March 2017, first quarter ended 30 September 2017, half year ended 31 December 2017, third quarter ending 31 March 2018; and
- b) **Rule 707(1):** an extension of time up to 29 March 2019 to hold the annual general meeting of the Company for the financial years ended 30 June 2016, 2017 and 2018.

To date, we are yet to receive a formal response from the SGX-ST.

We continue to comply with SGX-ST listing requirements to enable us to realise the value of the listed shell. We anticipate being in a position to realise this when the Appeal proceedings are finalised.

2. Receipts and Payments

We lodge a detailed account of our receipts and payments with the Australian Securities and Investments Commission (ASIC) every six months with a statement of position. These are available from the public database.

3. Expected acts and dealings to be carried out and time of completion

The actions we will undertake to finalise this matter include:

- continue the realisation of various residual assets
- await outcome of the special leave application by DES and QLD A-G
- prepare for potential proceedings in the High Court regarding an appeal by DES and QLD A-G, including liaise with the Commonwealth regarding funding to defend the proceedings
- await response from SGX-ST regarding the Resumption Proposal Extension and realise the value of the SGX listing
- complete and file Business Activity Statements with the ATO
- review and action general correspondence received
- comply with other statutory requirements.

Having regard to the actions still to be undertaken, we anticipate that the liquidation will be finalised in 18 to 24 months.

Yours sincerely



Grant Sparks, Martin Ford and Stephen Longley
Liquidators